

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 4197  
**COMPANY NAME** : Sime Darby Berhad  
**FINANCIAL YEAR** : June 30, 2018

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The role of the Board of Directors ("Board") is to promote and protect the interests of the Sime Darby Group ("Group") (i.e. the shareholders and stakeholders of each member of the Group). The Board is responsible in determining the direction of the Group, thereby ensuring the long term success of the Group and the delivery of sustainable value to its stakeholders. The Board in discharging its responsibilities in overseeing the overall management has during the year under review, undertaken the following:</p> <p><b>Promoting together with Senior Management, good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour;</b></p> <p>The Board continues to promote good corporate governance culture, whereby the Group has put in place measures to guide its employees and partners in adhering to all applicable policies, procedures, laws, and regulations of the countries in which the Group operate, including but not limited to: the Anti-Trust/Competition Laws, Environmental Laws and Regulations, Employment/Labour Laws and Policies, Compliance with Securities Laws and Anti-Bribery and Corruption Policies, Anti-Money Laundering and Anti-Terrorism Financing Policy.</p> <p><b>Overseeing the conduct of the Group's businesses;</b></p> <p>The Board oversees the conduct of the Group's businesses, including the formulation of strategic plans and performance objectives, control and accountability systems, corporate governance framework, risk management practices and human capital management. The Board also supervises and assesses the performance of management to determine whether the businesses are being properly managed and ensures that appropriate measures are in place against which management's performance can be assessed.</p> <p>The Board's responsibilities also include reviewing, assessing and approving investment and capital expenditure proposals by the management and monitoring the implementation of the strategic plan</p>

by the management. The Board will deliberate on all proposals presented and recommended, including those proposed by its Board Committees.

**Reviewing and adopting a strategic plan for the Group;**

The Board brings objectivity, experience and breadth of judgment to the strategic planning process and ensures that the strategic plan for the Group supports long-term value creation and includes strategies on economic, environmental, safety & health, social and governance initiatives underpinning sustainability. The Board reviews, adopts and monitors the Group's strategic plan which includes addressing the Group's business strategies on growth, operations, sustainability and setting of financial goals. The Group's sustainability efforts encompasses human rights, safety and health, energy and climate and community.

The Board undertakes an active role in the development of the Company's strategies and business plan by reviewing, discussing at length, and approving management's proposal on strategic plan for the Company when the same is presented by Management. The process is as follows:

- (a) Before the start of the new financial year, a strategy offsite with senior management and Board members is scheduled to deliberate on the Group's 5-Year Strategy Blueprint and Budget for implementation in the forthcoming year.
- (b) The offsite is a challenge session attended by management and the Board to:-
  - Provide input and guidance on the strategies to be developed, bearing in mind the current and future operating landscape;
  - test the management's assumptions of their respective forecasts;
  - consider the challenges that they may encounter next year as well as the strategies that they intend to employ (and their plan to overcome such challenges);
  - consider the economic and market forecasts for the coming years along with the proposed risk appetite to ensure that the strategies are sound and within acceptable boundaries;
  - evaluate the proposed capital and operational expenditures of each division and ensure that the management would have sufficient resources to execute their respective strategies.
- (c) Key subject matter experts (management consultants, investment bankers, research analysts) are invited to provide their views on key trends and future disruptions that will impact our core businesses.

- (d) Management will take in the comments, suggestions and advice from the Board and incorporate into final the Strategy Blueprint and Budget.
- (e) Thereafter, in the beginning of the new financial year, the Board will review and approve the Group's 5 Year Strategy Blueprint and Budget for annual implementation.
- (f) Once the Group Business Plan and Strategy has been approved for execution by the management, the financial performance and progress of strategies employed by each sector are then monitored and supervised by the Board.

**Supervise and assess management performance to determine whether the business is being properly managed;**

The Board ensures that appropriate measures are in place against which management's performance can be assessed. The Board not only oversees the conduct of the Group's business and operations, it also evaluates and ensures that its businesses are being managed according to "best-in-class" practices. Compliance is monitored with established policies and procedures.

**Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;**

The Board and the management are responsible and accountable for the establishment of the Group's system of risk management and internal control. The Risk Management Committee ("RMC") is established as a committee of the Board and is primarily responsible for assisting the Board in assessing and anticipating the potential risks to the business, developing and overseeing the risks management framework and policies within the Group and review the efficacy of internal controls within the Group.

The RMC's objectives are as follows:

- (a) To review and recommend the Group's risk management policies and strategies for the Board's approval. This includes reviewing major investment business cases and management's assessment of the key associated risks, including funding options and costs, and investment returns prior to the Board's approval.
- (b) To monitor the implementation of post-spend transactions in accordance with established thresholds in the approved Group Limits of Authority, which includes capital expenditure, acquisitions and project-based operational costs.

The Chairman of the respective Committees shall report and update the Board on significant issues and concerns discussed and where appropriate, make the necessary recommendations to the Board.

**Ensure effective, transparent and regular communication with its stakeholders to facilitate mutual understanding of each other's objectives and expectations;**

The Company has a sound Investor Relations programme which reaches out to the investing community and other stakeholders through

	<p>continuous engagement via one-on-one meetings, quarterly analyst briefings and regional investor roadshows. We also have a comprehensive, informative website for our shareholders with regularly updated information.</p> <p><b>Ensure that Senior Management has the necessary skills and experience and there are measures in place to provide the orderly succession of board and Senior Management; and</b></p> <p>The Nomination and Remuneration Committee (“NRC”) is established as a committee of the Board. The NRC oversees matters related to the nomination of new Directors and senior management, annually reviews the required mix of skills, experience and other requisite qualities of Directors and senior management, as well as undertakes the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director.</p> <p>The NRC is also primarily responsible for recommending to the Board the remuneration framework for Directors, reviewing the remuneration package for Executive Directors and Senior Management as well as the remuneration framework of employees based on the competitive industry practices and the Group’s succession plan.</p> <p><b>Reviewing the adequacy and the integrity of the management information and internal control systems of the Group</b></p> <p>The Governance &amp; Audit Committee (“GAC”) is established as a committee of the Board. The GAC assists and supports the Board’s responsibility of overseeing the Group’s operations by providing a means for reviewing the Group’s processes for producing financial data, its internal controls, and policies and procedures to assess the suitability, objectivity and independence of the Group’s external auditor and internal audit function.</p> <p>The GAC reviews the quarterly financial reports which are presented by the Chief Financial Officer in the presence of the external auditors prior to recommending them for approval by the Board and the release to Bursa Malaysia Securities Berhad (“Bursa”). The Board has also provided assurance that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	<p>:</p>

<b>Timeframe</b>	:		
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## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

## Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The roles and responsibilities of the Chairman of the Board are clearly specified in Paragraph 5.2 of the Board Charter, which is available on Sime Darby Berhad's ("Sime Darby") website at <a href="http://www.simedarby.com/operating-responsibly/governance">http://www.simedarby.com/operating-responsibly/governance</a>.</p> <p>The Chairman is responsible for instilling good corporate governance ("CG") practices, leadership and the effectiveness of the Board. The duties of the Board Chairman include the following:</p> <p>(a) Managing Board meetings to ensure robust decision-making by:</p> <ul style="list-style-type: none"><li>(i) Setting the agenda for each Board meeting together with the Group Secretary and the Group Chief Executive Officer ("GCEO"). Other Directors and key members of Management (e.g. Group Corporate Assurance ("GCA") and Group Compliance ("GC") Heads and the Group Chief Financial Officer ("GCFO") ) may also be consulted;</li><li>(ii) Ensuring the provision of accurate, complete, timely and clear information to the Directors;</li><li>(iii) Leading Board meetings and discussions;</li><li>(iv) Managing Boardroom dynamics by promoting a culture of openness and debate; encouraging active participation and allowing dissenting views to be freely expressed; and</li><li>(v) Ensuring all Directors are properly briefed on issues arising at Board meetings in a timely manner.</li></ul> <p>(b) Building a high performance Board by:</p> <ul style="list-style-type: none"><li>(i) Providing leadership for the Board so that the Board can perform its responsibilities effectively;</li><li>(ii) Taking a leading role in establishing an effective CG system and practices, including the Board Charter and the Terms of Reference ("TOR") of Board Committees and ensuring that induction as well as ongoing education programmes for Directors are in place;</li><li>(iii) Arranging the regular evaluation of the performance of the Board, its Committees and individual Directors and discussing the performance assessment with individual Directors and Committee Chairmen;</li><li>(iv) Ensuring that prior to new appointments to the Board, an assessment is undertaken on the candidate, which may include a competency and behavioural analysis of the candidate; and</li></ul>

	<p>(v) Ensuring that the Board and senior executive succession planning is considered on an ongoing basis.</p> <p>(c) Managing Board/Management interface by:</p> <ul style="list-style-type: none"> <li>(i) Acting as the conduit between Management and the Board, although all Directors shall have the opportunity to get to know key members of the Management team;</li> <li>(ii) Developing a positive relationship with the GCEO, acting as a confidant and advisor; and</li> <li>(iii) Facilitating the selection and appointment of a successor to the current GCEO.</li> </ul> <p>(d) Being the public face by:</p> <ul style="list-style-type: none"> <li>(i) Acting as a spokesperson for the Board; and</li> <li>(ii) Representing Sime Darby at shareholders' meetings and on other occasions when actions are taken or statements are made in the name of the Group, both domestically and/or abroad.</li> </ul> <p>(e) Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	<p>:</p>
<p><b>Timeframe</b></p>	<p>:</p>

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The roles of Chairman and the GCEO are separated and clearly defined in the Board Charter, which is available on Sime Darby's website at <a href="http://www.simedarby.com/operating-responsibly/governance">http://www.simedarby.com/operating-responsibly/governance</a>.</p> <p>The positions of Chairman and GCEO are held by two (2) different individuals. The Chairman, Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah, appointed as the Chairman of Sime Darby on 1 December 2017, continues to lead and guide the Board, ensuring that it maintains the highest standard of governance.</p> <p>Jeffri Salim Davidson was appointed the GCEO of Sime Darby on 21 November 2017 and is the only Executive Director ("ED") on the Board. The GCEO is primarily responsible for the execution of the Group's strategies in line with the Board's direction, oversees the operations of the divisions and drives the Group's businesses and performance towards achieving the Group's vision and goals.</p> <p>The key roles of the GCEO include:</p> <ul style="list-style-type: none"><li>(a) Displaying ethical behaviour while overseeing the day-to-day business operations, implementing Board policies and strategies, and making operational decisions;</li><li>(b) Serving as the conduit between the Board and Management in ensuring the success of the Group's governance and management functions;</li><li>(c) Ensuring that all Board decisions reflect its environment, safety and health intentions as articulated in the environment, safety and health policy statement;</li><li>(d) Ensuring effective relationships and communication with Management, and between the Board, shareholders and relevant stakeholders;</li><li>(e) Providing strong leadership by effectively communicating the vision, management philosophy, business strategy and environment, safety and health policy to employees; and</li><li>(f) Keeping the Board informed of salient aspects and issues concerning the Group's operations, including those related to environment, safety and health.</li></ul>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Noor Zita Hassan was appointed as the Group Secretary of Sime Darby on 20 November 2017. Noor Zita is qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016. She has more than 20 years of corporate experience attending to company secretarial, compliance matters and advocacy of good CG best practices.</p> <p>(a) The Group Secretary manages the logistics of all Board and Board Committee meetings. Attendance and minutes of all Board and Board Committee meetings are properly recorded and kept by the Group Secretary. The Group Secretary ensures that deliberations at Board and Board Committee meetings are well documented, and subsequently communicated to the relevant Management personnel for appropriate actions. The Group Secretary further ensures that outstanding action items are properly tracked and monitored until such items are finally addressed by the Senior Management and reported to the Board accordingly.</p> <p>(b) The Group Secretary serves as a focal point for stakeholders' communication and engagement on CG issues as well as communications between regulators and the Board and Senior Management. She plays an advisory role to the Board, particularly with regard to the Company's constitution, Board policies and procedures, CG best practices and its compliance with regulatory requirements, codes, guidance and legislations.</p> <p>(c) The Group Secretary had on 6 December 2017 and 17 July 2018 facilitated the induction programmes for the new Directors of Sime Darby. The Group Secretary and the relevant management team members gave briefings, to familiarise the new Directors with the business and operations of Sime Darby and its subsidiaries.</p> <p>(d) The Group Secretary continuously keeps herself properly updated of the evolving market environment, regulatory changes and developments in CG through attendance at relevant conferences and training programmes.</p> <p>(e) The Group Secretary plays an important role for the Annual General Meeting ("AGM") in ensuring that the due processes and proceedings are in place and properly managed. During the AGM,</p>

	<p>the Group Secretary assists the Chairman and the Board on the conduct of the AGM and ensure the minutes are properly recorded, particularly the questions raised by the shareholders.</p> <p>The roles and responsibilities of the Group Secretary are specified in Paragraph 13 of the Board Charter, which is available on Sime Darby's website at <a href="http://www.simedarby.com/operating-responsibly/governance">http://www.simedarby.com/operating-responsibly/governance</a>.</p>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

## Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>To facilitate the Directors' time planning, the annual meeting calendar is prepared and circulated in advance of each new year. The calendar provides Directors with scheduled dates for meetings of the Board and Board committees, the AGM as well as the closed periods for dealings in securities by Directors and Senior Management based on the targeted dates of announcements of the Group's quarterly results.</p> <p>The Board paper guidelines and format were finalised and introduced Group wide. Management Committees and subsidiaries also follow the same guidelines and format in Board paper preparation for consistency throughout the Group.</p> <p>Sime Darby distributes the meeting materials and disseminates relevant information to Directors through the Diligent Boards, an electronic meeting management system. Directors are supplied with iPad so that all notices and proposal papers are uploaded and distributed to Directors electronically and instantly, enabling Directors to access the Board papers anytime and anywhere, and on a timely basis. The Directors may also retrieve any past information via its archival system.</p> <p>Notice of Board and Board Committee meetings and agenda are sent to Directors via email at least seven (7) working days prior to a meeting. The Notice is also sent to Management, which includes the deadlines for submission of meeting materials for Management's easy reference. Upon receipt from Management, the Group Secretary ensures that the meeting materials are uploaded as soon as practicable.</p> <p>The deliberations and decisions at Board and Board Committee meetings are minuted in a clear, accurate and timely manner. The minutes record the decisions of the Board and Board Committee including deliberations, comments, concerns or dissenting views. The minutes indicate whether any Director or Committee member has abstained from voting or recused himself from deliberating on a particular matter concerning them.</p> <p>The Group Secretary will communicate to the relevant Management the Board's and Board Committees' decision or recommendations via circulation of draft minutes of meetings for appropriate actions to be taken. The Group Secretary will follow up with Management on status of actions taken with reference to the previous minutes of meeting and</p>

	recorded the updates in the matters arising paper tabled at the subsequent Board and Board Committee meetings.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

## Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter serves as a primary reference for Board members. It outlines processes and procedures for the Board and its Committees in discharging their fiduciary duties and responsibilities. The Board Charter was recently reviewed and approved by the Board in August 2017 and subsequently in December 2017 following the completion of the Pure Play exercise of the Sime Darby Group.</p> <p>The Board Charter provides, among others, the following:</p> <p>(a) The respective roles, responsibilities and authorities of the Board (both individual and collectively) such as:</p> <ul style="list-style-type: none"><li>(i) Reviewing and approving the overall strategies, business, organisation and significant policies of the Group; and</li><li>(ii) Determining the direction of the Group, thereby ensuring the long term success of the Group and the delivery of sustainable value to its stakeholders.</li></ul> <p>(b) Issues and matters reserved for the Board's decisions include the following:</p> <ul style="list-style-type: none"><li>(i) Strategies, business plans and annual budget for the Group;</li><li>(ii) Conduct and performance of the Group's businesses;</li><li>(iii) Principal risks affecting the Group's business;</li><li>(iv) Group's internal control systems; and</li><li>(v) Succession planning and talent management plans for the Group.</li></ul> <p>The Board Charter is available on Sime Darby's corporate website at <a href="http://www.simedarby.com/operating-responsibly/governance">http://www.simedarby.com/operating-responsibly/governance</a>.</p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>Sime Darby has launched its Code of Business Conduct ("COBC") in June 2011. The COBC was recently reviewed and approved by the Board in February 2018. The COBC provides guidance on the standards of behaviour expected of all Directors and employees of the Group, and where applicable, counterparties and business partners. A copy of the COBC is available on the Group's corporate website at <a href="http://www.simedarby.com/operating-responsibly/ethical-business-practices">www.simedarby.com/operating-responsibly/ethical-business-practices</a>.</p> <p>The key chapters of COBC include:</p> <ul style="list-style-type: none"><li>(a) Responsibility and Compliance with the COBC;</li><li>(b) Working with One Another;</li><li>(c) Conflicts of Interest;</li><li>(d) Gifts, Entertainment &amp; Travel;</li><li>(e) Bribery and Corruption;</li><li>(f) Donation and Sponsorship;</li><li>(g) Protecting the Group and Shareholders;</li><li>(h) Dealing with Counterparties and Business Partners;</li><li>(i) Dealing with Government Authorities and Political Parties; and</li><li>(j) Raising a Concern or Reporting a Violation.</li></ul> <p>In addition to the COBC, Sime Darby has also established the Vendor COBC in February 2018; the Anti-Bribery and Corruption Policy ("ABC") and Anti-Money Laundering and Anti-Terrorism Financing Policy ("AML") in May 2018.</p> <p>The ABC Policy sets out Sime Darby's position on bribery in all its forms and matters of corruption that might confront Sime Darby in its day-to-day operations while the AML Policy sets out Sime Darby's position on money laundering and terrorism financing.</p> <p>The Vendor COBC describes the vendor's expected standards of behaviour when conducting work for the Sime Darby Group.</p>

	<p>The Vendor COBC outlines the following key areas:</p> <ul style="list-style-type: none"> <li>(a) Labour &amp; Human Rights;</li> <li>(b) Environment, Safety &amp; Health; and</li> <li>(c) Ethics &amp; Management Practice</li> </ul> <p>Vendors are required to sign a Vendor Letter of Declaration to declare their compliance to the Vendor COBC and the relevant laws and regulations relating to bribery and corruption.</p> <p>In term of governance structure and support, GC was established in 2011 as an independent function to assist the Board and GAC to develop and implement the COBC, its supporting policies and ethics programme across the Group.</p> <p>Since the launching of COBC, various awareness programmes have been conducted by Group Compliance in collaboration with Group Human Resources (“GHR”) to educate the employees on the compliance requirements, the impact of non-compliance and the obligations to adhere to these requirements. The awareness program which is conducted through e-learning, face to face training, roadshows, email communications and banner, as well as integrity day event will continue to be regularly conducted to refresh and update the employees on the new or revision to the compliance related policies.</p> <p>Feedback is sought from various stakeholders, including Senior Management and the Board to evaluate the effectiveness of the compliance programme and initiative.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Sime Darby expects the highest standards of integrity from all our Directors, employees, counterparties and business partners (collectively, “the Parties”). Sime Darby takes a serious view of any wrongdoings by any of the Parties, in particular with respect to their obligations to the Company’s interests.</p> <p>The Group’s Whistleblowing (“WB”) Policy and channels were established in 2010 to enable the Parties, including the public, to report, without fear of retaliation, any wrongdoings that they may observe or experience.</p> <p>The Parties can report a complaint via WB channels if they are aware of any wrongdoings, including, but not limited to the following:</p> <ul style="list-style-type: none"><li>• Fraud;</li><li>• Misappropriation of assets;</li><li>• Sexual harassment;</li><li>• Criminal breach of trust;</li><li>• Illicit and corrupt practices;</li><li>• Questionable or improper accounting;</li><li>• Misuse of confidential information;</li><li>• Acts or omissions which are deemed to be against the interest of the Company, laws, regulations, or public policies;</li><li>• Giving false or misleading information (including suppression of any material facts or information);</li><li>• Breaches of Group Policies and COBC; or</li><li>• The deliberate concealment of any of the above matter or other acts of wrongdoings.</li></ul> <p>Sime Darby expects all Parties to act in good faith and have reasonable grounds when reporting a WB complaint.</p> <p>Any party that retaliates against someone who has reported a wrongdoings in good faith may be subject to appropriate action, up to and including legal action, where applicable.</p>

	<p>Below are Sime Darby WB channels:</p> <ul style="list-style-type: none"> <li>• Email : <a href="mailto:whistleblowing@simedarby.com">whistleblowing@simedarby.com</a></li> <li>• Email to the Senior Independent Director : senior.director@simedarby.com</li> <li>• Whistleblowing e-Form which is available on the Sime Darby website (<a href="http://www.simedarby.com">www.simedarby.com</a>) ;</li> <li>• Write to Whistleblowing Unit : Sime Darby Berhad P.O. Box 10494 50714 Kuala Lumpur Malaysia.</li> <li>• Contact Whistleblowing Unit: <ul style="list-style-type: none"> <li>○ Malaysia : 1 800 88 8880</li> <li>○ Other Countries : 800 8008 8000</li> <li>○ Hotline : (6019) 2688 295</li> </ul> </li> </ul> <p>GC is entrusted by the Board to administer end-to-end process of a WB complain in collaboration with GHR and GCA, where applicable. All complaints, including the identity of the whistleblowers are being dealt with highest level of confidentiality at all times. Regular update on WB cases is provided to the Senior Independent Director and the Board.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Presently, the Board consists of 12 Directors, comprising a majority of Independent Directors as follows:</p> <ul style="list-style-type: none"><li>(a) Seven (7) Independent Non-Executive Directors (“INED”)</li><li>(b) Four (4) Non-Independent Non-Executive Directors (“NINED”)</li><li>(c) One (1) Executive Director (“ED”)</li></ul> <p>The Independent Directors make up more than half of the Board as recommended by the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”), while their number exceeds the minimum as prescribed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”).</p> <p>The Board as far as possible, takes into account of the following principles in determining its composition and ideal size:</p> <ul style="list-style-type: none"><li>(a) To appoint a Chairman of the Board who is a Non-Executive Director (“NED”);</li><li>(b) To ensure the role of the Chairman of the Board is separated from the GCEO;</li><li>(c) To ensure the Chairman of the Board does not chair any of the Board Committees;</li><li>(d) To ensure Board Committees comprise a majority of INEDs;</li><li>(e) To appoint the Senior Independent Director from among the INEDs; and</li><li>(f) To appoint the Senior Independent Director whom shall take charge of the Group’s Whistleblowing Policy.</li></ul> <p>For the financial period under review, the Board has considered the independence of each INED in office and has concluded that each INED had met the independence criteria as set out in the MMLR. The Board is generally satisfied that each INED remains independent in character and judgement and is free from relationships or circumstances which are likely to affect or could appear to affect the Director’s judgement.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Not applicable - Step Up 4.3 adopted	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>During the financial period under review, the Board has adopted a policy which limits the tenure of its INED to nine (9) years, pursuant to Step Up 4.3 of the MGGC 2017.</p> <p>Currently, none of the Company's INED has served on the Board for more than nine (9) years. Their length of tenure is set out in Board of Directors on pages 70 to 73 of the Company's Annual Report 2018.</p>

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board and NRC take into account the current diversity in the skills, experience, age, cultural background and gender of the existing Board in seeking potential candidate(s). This helps to ensure an appropriate balance between the experience perspectives of the long term Directors and new perspectives that bring fresh insights to the Board.</p> <p>While the Board is responsible for the appointment of new Directors, the NRC is delegated with the role of screening and conducting an initial selection, which includes an external and independent search, before making a recommendation to the Board. The NRC evaluates the nominees' abilities in discharging their duties and responsibilities before recommending their appointments for approval by the Board.</p> <p>The NRC is also responsible to review the key management positions identified as pivotal positions including the position of the Group Human Resources Officer and it may, if deemed fit, to review any other positions that are deemed strategic for the Company.</p> <p>The disclosures on Board skills and experience, diversity and appointment are tabulated on pages 70 to 73 of the CG Overview Statement whilst the Directors' retirement and re-election are provided on pages 86 to 87 of the NRC Report in the CG Overview Statement of the Company's Annual Report 2018.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.5**

The board discloses in its annual report the company’s policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board currently comprises 12 Directors, of whom three (3) are women or 25% female representation.	
		We have enhanced our Board to better suit the new business requirements of the organisation, focusing on diversity of skills and experiences relevant to our businesses.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	The Board supports gender diversity at all levels which include the Board, Senior Management and general workforce. The Board acknowledges that this is an area for continuous improvement.	
<b>Timeframe</b>	:	Within 3 years	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board delegates to the NRC the responsibility to establish a formal and transparent procedure for the nomination and appointment of new Directors to the Board. Such responsibilities include screening, conducting initial selection of internal and external candidates, performing requisite evaluation and assessment on the candidate's ability to discharge their duties effectively and efficiently, prior to making recommendations to the Board for its approval.</p> <p>The NRC also ensures candidates possess the appropriate skills, core competencies, experience and integrity to effectively discharge his or her role as a Director.</p> <p>The NRC has the authority to obtain the services of professional recruitment firms to source for candidates for directorship or seek independent professional advice whenever necessary.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.7**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The NRC is chaired by Dato Sri Lim Haw Kuang. He was appointed as the SINED and the Chairman of NRC on 1 December 2017.</p> <p>Dato Sri Lim was appointed by the Board as the new SINED based on his experience with the Board, seniority amongst the Directors, and strong comprehension of the Company's governance issues.</p> <p>The duties of the SINED are as set out in Paragraph 5.4 of the Board Charter, which is available on Sime Darby's website at <a href="http://www.simedarby.com/operating-responsibly/governance">http://www.simedarby.com/operating-responsibly/governance</a>.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board undertakes an evaluation process each year. In 2018, the Board has undertaken a formal and extensive Board Evaluation Assessment (“BEA”) to evaluate its own performance, its Committees and individual Directors for the period from 1 July 2017 to 30 June 2018. The BEA was conducted through a Board Working Session led and facilitated by the Chairman of NRC and the areas covered among others, including the business strategy governance and implementation, improvement in ways the Board engages with Management on strategy, sufficient information availability on a timely basis, diversity and Board and Board Committees composition. Appropriate actions were recommended to the Board based on the results of the assessment to enhance the Board’s overall performance and identify opportunities for improvement.</p> <p>Based on the 2018 BEA findings, the Board and Board Committees were satisfied that their existing composition provides an appropriate balance in terms of its current mix of skills, knowledge and experience and are able to discharge their duties and responsibilities effectively.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board, with the assistance of the NRC, reviews the overall remuneration policy of the NEDs, ED and Senior Management. The remuneration policy aims to attract, retain and motivate executives and Directors who will create sustainable value and returns for the Company's members and other stakeholders. There is a clear distinction between the remuneration structure of the NEDs, ED and the Senior Management.</p> <p>The NRC may obtain independent professional advice and any other information necessary in determining the remuneration framework.</p> <p>The remuneration package for the ED is structured to link rewards to corporate and individual performance. It comprises salary, allowances, bonuses and other customary benefits as accorded by comparable companies. A significant portion of the ED's compensation package has been made variable and is determined by performance during the year against individual Key Performance Indicators in a scorecard aligned with the corporate objectives as approved by the Board.</p> <p>The NRC reviews the performance of the ED annually and submits its view/recommendations to the Board on adjustments in remuneration and/or rewards to reflect the ED's contributions towards the Group's achievements for the year.</p> <p>The remuneration package for the Senior Management is also structured to link rewards to corporate and individual performance. The NRC also reviews the performance of the Senior Management annually and submits its views/recommendations to the Board on adjustments in remuneration and/or rewards to reflect the Senior Management contributions towards the Group's achievements for the year.</p> <p>The Board as a whole shall determine and recommend the remuneration of the NEDs for shareholders' approval at the AGM.</p>

	<p>The level of remuneration of NEDs reflects the current demanding challenges in discharging their fiduciary duties, roles and responsibilities, whether individually or collectively, as well as the complexity of the Group’s operations and the industries.</p> <p>The policies and procedures on remuneration are reviewed, as and when the need arises. The NRC had in July and August 2017 reviewed the remuneration framework of NEDs to ensure that the remuneration offered is in line with the market practice to remain competitive for talent attraction and retention. Disclosure on the Directors’ remuneration is provided on pages 81 to 82 of the CG Overview Statement of the Company’s Annual Report 2018.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has a Remuneration Committee, via the NRC, to implement its policies and procedures on remuneration of the Board and Senior Management.</p> <p>The Nomination Committee and the Remuneration Committee were consolidated as the Nomination &amp; Remuneration Committee on 16 November 2010. Both roles were combined for the purpose of convenience and practicality whereby members of the NRC are entrusted with the nomination and remuneration functions.</p> <p>Presently, the NRC comprises exclusively NEDs, with 75% being Independent Directors. The composition of the NRC, the profile of each member and details of meetings attended are provided on page 85 of the NRC Report in the CG Overview Statement of the Company's Annual Report 2018.</p> <p>The roles and responsibilities of the NRC are set up in its TOR which is available on Sime Darby's website at <a href="http://www.simedarby.com/operating-responsibly/governance">http://www.simedarby.com/operating-responsibly/governance</a>.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.1**

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Detailed disclosure on named basis for the remuneration of individual Directors which include their fees, salary, bonus, benefits in-kind and other emoluments is provided on page 82 of the CG Overview Statement of the Company's Annual Report 2018.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The top five (5) Senior Management includes one (1) Executive Director of the Company (of which his detailed remuneration has been disclosed under Practice 7.1 of this Report).	
		The Board is of the view that the disclosure of the Senior Management's remuneration would be unfavourable to the Group as talent poaching is common in the industry and the Group would like to ensure employee retention efforts are safeguarded.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	The Board will monitor the market practice in respect of such disclosure.	
<b>Timeframe</b>	:	Others	This will be reviewed on an annual basis in its efforts towards the application of Practice 7.2

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

### Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The GAC consists exclusively of Independent Non-Executive Directors.</p> <p>Thayaparan Sangarapillai is the Chairman of GAC. He is a Fellow of the Institute of Chartered Accountants in England &amp; Wales and a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.</p> <p>Thayaparan has over 30 years of experience in providing audit and business advisory services to clients in a wide range of industries. His portfolio of clients included major public listed companies involved in power, telecommunications, automotive, property development, plantation and manufacturing sectors. Thayaparan has also led cross border assignments. Other than statutory audits, Thayaparan has led assignments on financial due diligences, mergers &amp; acquisitions, initial public offerings, finance function effectiveness reviews and other advisory work.</p> <p>Thayaparan is an INED and was appointed as the Chairman of GAC on 1 December 2017. He is not the Chairman of the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.2**

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The cooling-off period was observed by Sime Darby and this Practice has been incorporated under Clause 2.5 of the TOR of the GAC.</p> <p>Thayaparan Sangarapillai, an INED of Sime Darby and the Chairman of GAC, is a former Partner of PricewaterhouseCoopers, had observed the cooling-off period of two (2) years before he was appointed as a member of the GAC of Sime Darby.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

## Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>As part of its main functions and duties, the GAC is also responsible for assessing the suitability, objectivity and independence of the external auditor. This is stated in the GAC's TOR under item 4.4 - Dealing with External Auditors, sub-item 4.4.2 which states:</p> <p><i>Assess and monitor the performance, suitability, objectivity and independence of the external auditor annually. The assessment is to be based on established policies and procedures that consider among others:</i></p> <ul style="list-style-type: none"><li>• <i>the competence, audit quality and resource capacity of the external auditor in relation to the audit;</i></li><li>• <i>the nature and extent of the non-audit services rendered and appropriateness of the level of fees; and</i></li><li>• <i>obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</i></li></ul> <p>Apart from the above, item 4.4 also deals with:</p> <p><i>4.4.1 Appointment of the external auditor and the audit fee, and any resignation or dismissal of the external auditor; and</i></p> <p><i>4.4.3 The scope of external audit and the audit plan covering both local and overseas operations.</i></p> <p>The assessment takes into account:</p> <ul style="list-style-type: none"><li>• The GAC's own assessment; and</li><li>• The feedback from Divisional Chief Financial Officers, the GCFO and the Head – Group Finance focusing on a range of factors the GAC considered relevant to audit quality.</li></ul> <p>Based on the assessment, the GAC concluded that there has been appropriate focus and challenge on the primary areas of audit and the external auditor has applied robust challenge and scepticism through the audit conducted by them.</p>

	The GAC also obtained confirmation from the external auditor that they are and have been, independent throughout the conduct of the audit engagement in accordance with the terms and of the relevant professional and regulatory requirements.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted															
<b>Explanation on adoption of the practice</b>	:	<p>The GAC consists exclusively of Independent No-Executive Directors. The composition of the GAC is as follows:</p> <table border="1"><thead><tr><th>No.</th><th>Member</th><th>Designation</th></tr></thead><tbody><tr><td>(i)</td><td>Thayaparan Sangarapillai (Chairman)</td><td>Independent Non-Executive Director</td></tr><tr><td>(ii)</td><td>Datuk Wan Selamah Wan Sulaiman</td><td>Independent Non-Executive Director</td></tr><tr><td>(iii)</td><td>Dato' Ahmad Pardas Senin</td><td>Independent Non-Executive Director</td></tr><tr><td>(iv)</td><td>Dato' Sri Abdul Hamidy Abdul Hafiz</td><td>Independent Non-Executive Director</td></tr></tbody></table>	No.	Member	Designation	(i)	Thayaparan Sangarapillai (Chairman)	Independent Non-Executive Director	(ii)	Datuk Wan Selamah Wan Sulaiman	Independent Non-Executive Director	(iii)	Dato' Ahmad Pardas Senin	Independent Non-Executive Director	(iv)	Dato' Sri Abdul Hamidy Abdul Hafiz	Independent Non-Executive Director
No.	Member	Designation															
(i)	Thayaparan Sangarapillai (Chairman)	Independent Non-Executive Director															
(ii)	Datuk Wan Selamah Wan Sulaiman	Independent Non-Executive Director															
(iii)	Dato' Ahmad Pardas Senin	Independent Non-Executive Director															
(iv)	Dato' Sri Abdul Hamidy Abdul Hafiz	Independent Non-Executive Director															

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The GAC consists exclusively of Independent Non-Executive Directors. The composition of the GAC is set out in Practice 8.4 of this CG report.</p> <p>The GAC is chaired by Thayaparan Sangarapillai who is a qualified accountant. The qualifications, skills, experience and expertise varies among the GAC members of whom are from diverse fraternities such as accountancy, finance, audit and public service/management. With their knowledge/vast experience, they are not only capable to understand the matters under the GAC's purview but also be able to provide sound advice to the Board in term of governance, regulatory compliance, financial reporting, internal and external audit reports as well as other matters to be considered by the GAC.</p> <p>All GAC members are aware of the need to continuously develop and increase their knowledge in the area of accounting and auditing standards, given the changes and development in this area from time to time. In line with this, the GAC members have made continuous effort in keeping themselves abreast of relevant developments by attending trainings in accounting and auditing standards, practices and rules and other development programmes.</p> <p>In conclusion, the Board is satisfied with the GAC's existing performance and is of the view that, with the GAC's current mix of skills, knowledge, experience and strength, the Board and GAC are able to discharge their duties and responsibilities effectively.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

### Practice 9.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board maintains a sound risk management framework and system of internal control to safeguard shareholders’ investment and the Company’s assets. In this respect, the Board has established a governance structure to ensure effective oversight of risks and controls in the organisation. It is assisted by the RMC and GAC to oversee all matters with regards to risks, control and governance.</p> <p>Group Risk Management (“GRM”) is under the purview of the GCFO, who spearheads risk management activities to assist the RMC in ensuring adequate risk management controls are in place.</p> <p>The RMC assists the Board in overseeing the risk management process, leading the organisation’s strategic direction in the management of business risks, establishing and implementing a risk management framework and reviewing the effectiveness of the risk management framework.</p> <p>The Statement on Risk Management and Internal Controls (“SORMIC”) which provides an overview of the state of internal controls within the Company is set out on pages 99 to 105 of the Company’s Annual Report 2018.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

**Practice 9.2**

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board has disclosed the key features of its risk management and internal control system as well as its adequacy and effectiveness in the SORMIC as well as the section on “Enterprise Risk Management” on pages 18 to 21 in the Company’s Annual Report 2018.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 9.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The RMC comprises a majority of Independent Directors. The RMC supports the Board by setting and overseeing the Risk Management Framework ("RMF") and policies of the Sime Darby Group and regularly assessing such RMF to ascertain its adequacy and effectiveness.</p> <p>The composition of the RMC, the profile of each member, its roles and responsibilities and details of meeting attendance can be found on pages 97 to 98 of the RMC Report in the CG Overview Statement of the Company's Annual Report 2018.</p>

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The GCA carries out the in-house internal audit function and is an integral part of the Company's internal control system. The function is presently headed by Vinod Chandra Das, the Interim Group Head, GCA, who reports functionally to the GAC and administratively to the GCEO. GCA is independent from the activities or operations of other operating units in the Group.</p> <p>GCA's primary role is to provide independent, reasonable and objective assurance in addition to consulting services designed to add value and improve efficiency of the operations within the Group. It assists the Group to achieve its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.</p> <p>The annual CA plan, established on a risk-based approach, is reviewed and approved by the GAC. The plan is aligned with the Group's objectives and strategies as articulated in the Strategy Blueprint.</p> <p>At each of the quarterly GAC meetings held in FY2018, the GAC received the GCA Report from GCA which serves as a platform for an on-going performance review of the internal audit function so as to ensure that the function was effective and independent in discharging its duties and responsibilities in providing independent assessment of the internal controls.</p> <p>To ensure effective management and independence of GCA, the GAC is empowered by its TOR to:</p> <ul style="list-style-type: none"><li>(a) Convene meetings with the Group Head, GCA without the attendance of any executive, and if appropriate, the Group Secretary, whenever deemed necessary.</li><li>(b) Appraise and recommend to the Board the appointment, transfer and termination of the Group Head, GCA; and</li><li>(c) Review and assess the performance of the Group Head, GCA.</li></ul>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has an in-house internal audit function which is carried out by GCA and is presently headed by Vinod Chandra Das, the Interim Group Head, GCA.</p> <p>Vinod holds an accounting degree from Multimedia University, Malaysia and is a Certified Fraud Examiner and a member of the Institute of Internal Auditors, Malaysia. Vinod has 16 years' experience in the audit field where he spent 2 years doing external audit with a local audit firm and the remaining 14 years were with the Sime Darby Group doing internal audit.</p> <p>GCA is organised as a centralised department with divisional CA Departments with direct control and supervision for audit services across the Group. There are a total of 41 internal auditors, excluding Interns, across the Group headed by Vinod and supported by Divisional Heads in Malaysia and regional offices in Australia and China.</p> <p>GCA is guided by its GCA Charter which specifies that GCA reports functionally to the GAC and administratively to the GCEO to allow an appropriate degree of independence from the operations of the Group. GCA's principal responsibility is to undertake regular and systematic reviews of the internal control systems so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Company and the Group.</p> <p>The GAC reviews, challenges and approves the GCA audit plan including its financial budget annually with periodic reviews to ensure business alignment, risk assessment and audit methodology and ensure robustness in the audit planning process. The GAC also approves the appointment, transfer or termination of the Group Head, GCA.</p> <p>All internal audit functions during the financial year were conducted by GCA. Nevertheless, where required, GCA will engage and co-source with external audit firms to complement audit coverage and/or subject</p>

matter experts in specific technical areas including forensic and legal advisory.

The Quality Assurance & Improvement Programme (“QAIP”) continues to be used to assess the quality of audit processes adopted. It is an ongoing and periodic assessment that covers key activities within the GCA’s activities. The programme focuses on the efficiency and effectiveness of audit processes and appropriate recommendations and opportunities for improvements identified through internal and external assessments. Internal assessments are carried out in the form of quarterly internal team validations and peer reviews once every five (5) years once as to in line with the external assessment conducted by a qualified independent assessor. Due to the Pure Play exercise, the results of the quarterly QAIP for FY2017/2018 will be tabled and deliberated during the November 2018 GAC meeting. The results of the last external assessment was tabled to the GAC in November 2015.

In FY2018, the total costs incurred for the internal audit function was RM16.6 million. The cost incurred involves two (2) phases of GCA structure i.e. pre-Pure Play exercise (160 auditors - includes 120 internal auditors under Plantation and Property) and post-Pure Play exercise (41 auditors).

The attainment of the above objectives involves key activities undertaken by GCA. The key activities undertaken as part of the assurance process includes, but are not limited to:

- (a) Established a Group CA Plan for FY2018 by evaluating risk exposure relating to achievement of the Group’s strategic objectives based on the approved Strategy Blueprint and mapping this against the Divisional Enterprise Risk Management Risk Register to ensure key risks are considered and deliberated with Divisional Management, external auditors and Group Risk Management on a periodic basis.
- (b) Reviewing and appraising the soundness, adequacy and application of accounting, financial and other controls particularly focusing on cost saving and averting opportunity cost as well as promoting effective control across the Group. Among the areas that were audited during the year were Branch Operations, Project Management, Human Resource and Payroll, Inventory and Parts Management, Procurement, Dealer Management, Assembly Operations, Used Car Operations as well as Post Investment/Divestment reviews.
- (c) Evaluating the systems established to ensure compliance with those laws, regulations, policies, plans and procedures which could have a significant impact on the Group and Divisions.
- (d) Carrying out audits on areas such as information technology and environmental, safety and health as part of routine audit scope of work on the Group. Among the information technology areas audited during the year were post implementation reviews of newly

	<p>implemented systems, Disaster Recovery, outsourced services and Network Support.</p> <p>(e) Conducting investigations into activities or matters channelled via the Whistleblowing Case Management System managed by GC or as requested by Management. The outcomes from the investigations were tabled to the GAC for deliberation and information.</p> <p>(f) Carrying out analysis to determine the efficiency of businesses carried out by the Group.</p> <p>(g) Driving data analytics and continuous auditing/monitoring, thereby expanding GCA's audit coverage which supports greater operational efficiency.</p> <p>(h) Followed-up on the implementation of Management's action plans to ensure that necessary actions have been taken/are being taken to remedy any significant gaps identified in governance, risk management and internal controls.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

## Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied				
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the importance of an effective communication channel between the Company, its shareholders and the general public. Pertinent matters that may affect stakeholders include strategic developments, financial results and material business matters affecting the Company and the Group.</p> <p>The Company has an Investor Relations Unit that facilitates communication between the Company and the investment community. Senior Management of the Company actively engages with the investment community and the Board is periodically briefed on these interactions and feedback from the investment community.</p> <p>The Investor Relations Unit has an extensive programme that involves the holding of regular meetings, conference calls and site visits, all intended to keep the investment community abreast of the Company's strategic developments and financial performance. In addition, investment road shows and conferences are held to engage with shareholders and potential investors across the globe.</p> <p>Every quarter, the Investor Relations Unit provides the investment community with an up-to-date view of the Group's financial performance and operations and are held concurrently with the release of the quarterly financial results to Bursa. Press conferences on the Group's financial results are held half yearly.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Stakeholder</th> <th>How We Engage</th> </tr> </thead> <tbody> <tr> <td>Investors</td> <td>Analyst briefing sessions, roadshows, one-on-one engagements, conference calls, site visits</td> </tr> </tbody> </table> <p>The analysts' briefing sessions are also broadcast live via webcast to members of the investment community who are overseas or unable to participate in person.</p> <p>Shareholders are welcomed to raise queries by contacting the Company at any time throughout the year and need not wait for the AGM for such an opportunity. The contact information is available on</p>	Stakeholder	How We Engage	Investors	Analyst briefing sessions, roadshows, one-on-one engagements, conference calls, site visits
Stakeholder	How We Engage					
Investors	Analyst briefing sessions, roadshows, one-on-one engagements, conference calls, site visits					

	<a href="http://www.simedarby.com/investor/investor-centre">http://www.simedarby.com/investor/investor-centre</a> and at the Contact Us section of the Company's website at <a href="http://www.simedarby.com">www.simedarby.com</a> .	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other’s objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Group’s Annual Report 2018 generally adopts the guiding principles and content elements of the International Integrated Reporting Framework of the International Integrated Reporting Council.</p> <p>Integrated reporting is an on-going journey and the Group will continue improving its Integrated Reports in line with global best practices.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>In line with the recommendation of MCGG 2017, the Notice of the Twelfth AGM of the Company dated 17 October 2018 was issued to the shareholders 28 days prior to the AGM which will be held on 15 November 2018.</p> <p>The notices were published in two (2) local English newspapers and a Bahasa Melayu newspaper.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All Directors attend AGM which was scheduled and approved in advance by the Board at the beginning of the year. Once meeting dates have been fixed, Directors would commit themselves to attend the meetings as scheduled, save for unforeseeable reasons that are beyond their control. At the Eleventh AGM, all Directors have attended the AGM except for Tan Sri Dato' Seri Mohd Bakke Salleh due to health reasons.</p> <p>The Chairmen of the GAC, NRC, RMC and other committees will respond to any questions addressed to them (if any) at general meetings.</p> <p>At the Eleventh AGM, the GCFO presented on the key highlights of the Sime Darby Group, Business Strategy and Direction and financial highlights of the Company. The Chairman also invited the shareholders to raise questions pertaining to the Group's performance and to receive any questions on all resolutions tabled.</p> <p>Senior Management and representatives of External Auditors and Advisor were also present to respond to any queries by the shareholders. The Company also shared the responses to the questions raised by the Minority Shareholders Watch Group prior to the AGM which was briefed by the GCFO at the AGM.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>Sime Darby has yet to facilitate voting in absentia and remote participation by shareholders at general meetings.</p> <p>The Company always hold its AGMs in the Klang Valley at locations which are accessible by the shareholders. The forthcoming Twelfth AGM of the Company will be held at the Grand Ballroom, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on 15 November 2018.</p> <p>At the Eleventh AGM, the Company adopted electronic voting (“e-voting”) for the conduct of poll on all resolutions. The appointed Poll Administrator and Independent Scrutineers conducted the polling/e-voting process and verified the results of the poll.</p> <p>The shareholders are entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote at general meetings.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	The Board will closely monitor the development of this practice in the market for future consideration.	
<b>Timeframe</b>	:	Others	Please specify number of years.

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT  
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

Not applicable
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